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Paul Ryan
PRSRT STD M.C.

A Report on Strengthening Social Security



DISABILITY BENEFITS



SURVIVOR BENEFITS



RETIREMENT BENEFITS



Improving Social Security

the form of one simple fix. It will require a combination of common sense solutions. Any efforts to improve the Social Security system will be phased in gradually.

While we are still in the early stages of identifying what can and should make up this comprehensive approach, one proposal by the Social Security Commission and some economic experts is the idea of giving younger workers more control over their retirement security by allowing them to invest in personal retirement accounts within the Social Security system.

Personal retirement accounts would offer younger workers the voluntary option of investing a part of their payroll taxes in their own account. With this account, they'll be able to build a nest egg for retirement – one that the government cannot take away and one that they can pass on to their loved ones. Most importantly, these accounts would replace the empty promises of the current system with real assets of ownership. Those who do not opt for a personal retirement account would continue under the traditional Social Security system.

Regardless of the option you choose, I want to make sure Social Security is there for you, your children and your grandchildren.

SOCIAL SECURITY TODAY

How does the current system work?

Created in 1935, Social Security is an insurance program that provides income to seniors after they retire. It is paid for by working Americans and their employers through a payroll tax on their wages. It is listed as "FICA" on your pay stub. People often think of their Social Security benefits as an actual account, in their name, which contains cash or investments. Unfortunately, that is not the case. The money is being used to pay current retirees' benefits. Under the current system, when today's workers retire, their benefits will be paid for by future workers and employers.

MESSAGE TO CURRENT AND SOON-TO-BE RETIREES

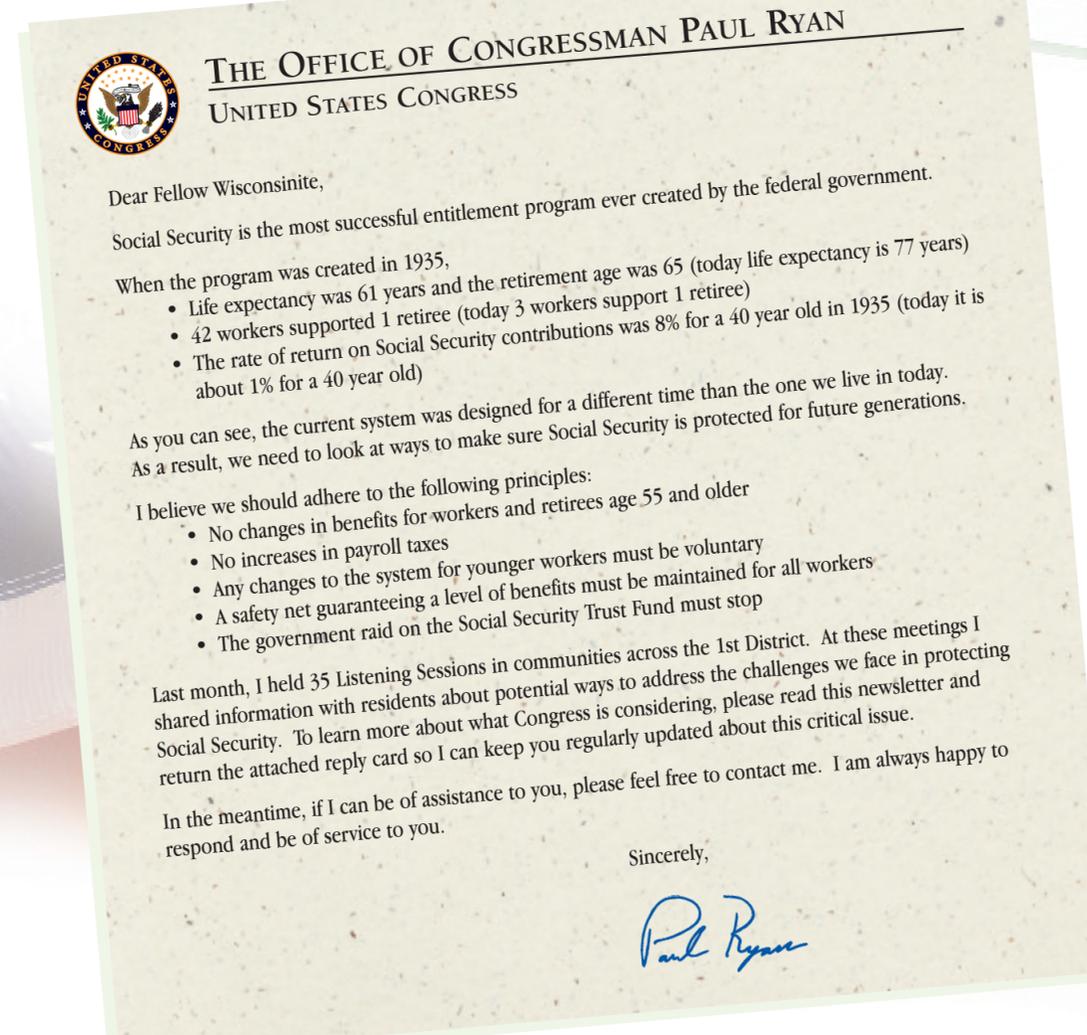
For those of you who are age 55 and older, the main reason you are interested in this debate is that it concerns your children and grandchildren. Your benefits will not be affected. The plans being considered are focused on making sure Social Security is there for your children and grandchildren as it has been and will be for you.

MESSAGE TO YOUNGER WORKERS

The solution to strengthening Social Security for today's younger workers will not come in

from
Congressman
Paul Ryan

Your Social Security



THE OFFICE OF CONGRESSMAN PAUL RYAN
UNITED STATES CONGRESS

Dear Fellow Wisconsinite,

Social Security is the most successful entitlement program ever created by the federal government.

When the program was created in 1935,

- Life expectancy was 61 years and the retirement age was 65 (today life expectancy is 77 years)
- 42 workers supported 1 retiree (today 3 workers support 1 retiree)
- The rate of return on Social Security contributions was 8% for a 40 year old in 1935 (today it is about 1% for a 40 year old)

As you can see, the current system was designed for a different time than the one we live in today. As a result, we need to look at ways to make sure Social Security is protected for future generations.

I believe we should adhere to the following principles:

- No changes in benefits for workers and retirees age 55 and older
- No increases in payroll taxes
- Any changes to the system for younger workers must be voluntary
- A safety net guaranteeing a level of benefits must be maintained for all workers
- The government raid on the Social Security Trust Fund must stop

Last month, I held 35 Listening Sessions in communities across the 1st District. At these meetings I shared information with residents about potential ways to address the challenges we face in protecting Social Security. To learn more about what Congress is considering, please read this newsletter and return the attached reply card so I can keep you regularly updated about this critical issue.

In the meantime, if I can be of assistance to you, please feel free to contact me. I am always happy to respond and be of service to you.

Sincerely,

Paul Ryan

Social Security: You Earned It I'm Working to Make Sure You Get Every Penny of It!



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How Can You Learn More?

For more information on Social Security, fill out this card and return it by mail.

Check here to receive updates by e-mail.
(checking this option saves postage and printing costs)

E-MAIL: _____

NAME: _____ ZIP: _____

Check here to receive updates by regular postal mail.

NAME: _____

ADDRESS: _____

CITY: _____ ZIP: _____

The Challenges: Why is there a problem?

DEMOGRAPHIC CRUNCH

If the Social Security program has been such a success over the past 70 years, why do we need to change it? The answer is found by looking briefly at the history of the Social Security program.

Social Security is a "pay as you go" system, meaning current workers pay current retirees' benefits. When Social Security was created in 1935, there were 42 workers supporting 1 retiree. After the baby boomers retire, there will only be two workers supporting each retiree. The retirement of the baby boomer generation will increase the number of retirees in the U.S. from 48 million today to 92 million in the next three decades. Fewer workers paying into a system that has to support more retirees creates a demographic crunch. Even if everyone in America who wanted a job had one, we still couldn't save the system.

WHAT ABOUT THE LOCKBOX?

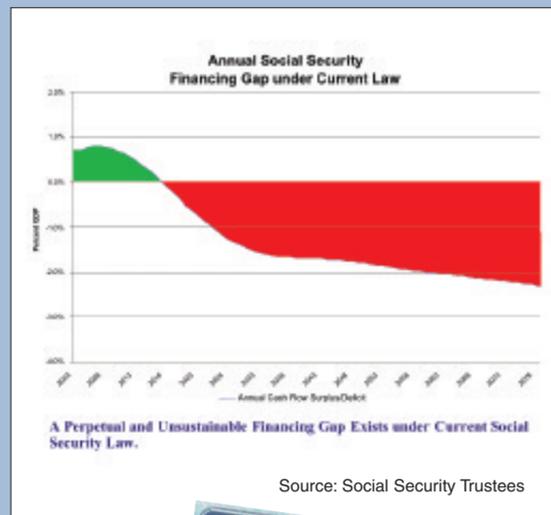
The demographic challenge we face is compounded by the fact that since 1968, Congress has spent the surplus Social Security taxes that workers have paid into the Social Security Trust Fund. So, we have no back-up plan to pay benefits down the road, other than endless borrowing, benefit cuts, and significant tax increases.

As many of you know, I have been fighting since I entered Congress to stop the raid on the Social Security Trust Fund by creating a lockbox. Although my bill passed the House of Representatives, it was filibustered six times in the U.S. Senate. Consequently, a lockbox was never created to protect the Trust Fund. I believe the first step we must take in addressing the future of Social Security is to stop the raid on the Trust Fund.

THE EMPTY TRUST FUND

There is a common misconception that the Social Security Trust Fund will keep the current system working without interruption until 2042. Let me be clear. The Social Security Trust Fund is not a bank account or cash reserve that can be used to pay benefits.

It is literally a filing cabinet full of government IOUs that commit the government to pay back the money taken from the trust fund at some time in



the future to continue paying full Social Security benefits. With or without the Trust Fund, in 2018, Social Security will begin paying more in benefits than it collects in taxes. At that time, Congress will have to pay back these IOUs by borrowing money, raising taxes, or cutting benefits so that scheduled retirement benefits can be paid.



The Solutions: What can be done?

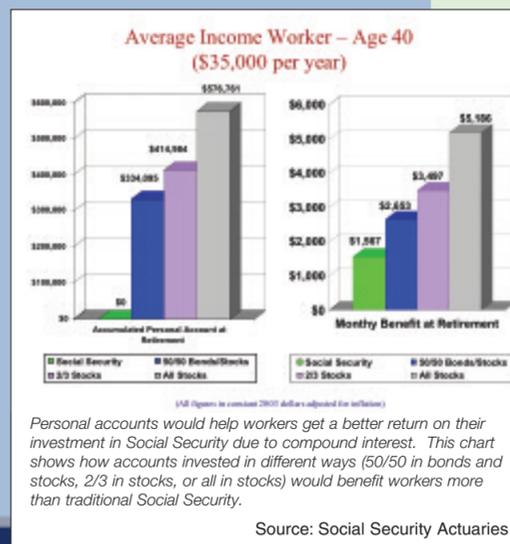
THE UGLY OPTIONS

In the past, Congress has used a combination of raising taxes, cutting benefits or raising the retirement age as temporary fixes to maintain the Social Security system. Endless borrowing is another option that has been put on the table for discussion.

However, all of these options, with the exception of endless borrowing, have been tried before and failed to ensure the long-term solvency of the program. In fact, taxes have been raised 22 times from an initial 2% payroll tax rate to the current 12.4% tax rate.

RAISING THE INCOME CAP

Currently, only income up to \$90,000 is subject to the 12.4% payroll tax for Social Security. This cap increases automatically each year. Some have suggested completely lifting the income cap. According to the Social Security Administration, this will not fix the problem. In fact, even lifting the tax cap completely will only delay the shortfall in 2018 by six years to 2024.



PERSONAL ACCOUNTS

The Ryan-Sununu Plan

I have introduced a plan that will allow workers under the age of 55 to choose whether to stay in traditional Social Security or invest a part of their payroll taxes in a personal account held within the current Social Security system.

Individuals will not be allowed to manage their own accounts. Rather, they will be able to pick from a handful of index funds that will have oversight by the Social Security Administration. The system will be similar to the Thrift Savings Plan, the retirement plan for Members of Congress and federal government employees.

The personal account will come with a safety net ensuring workers receive at least what they would have received if they remained in the traditional Social Security system.

These benefits can be achieved because of the effect of compound interest. The chart to the left shows how a worker's account will grow even in

the most conservative of investment plans. As a worker ages, his or her account would be transferred to bond funds to eliminate the risk associated with equity funds.

Personal savings accounts will aid in strengthening Social Security for future generations. The Social Security chief actuary stated, under the Ryan-Sununu plan, "the Social Security program

would be expected to be solvent and to meet its benefit obligations throughout the long-range period 2003 through 2077 and beyond."

In addition to better benefits, personal accounts offer workers the chance to amass real savings in accounts they own and can pass on to their spouse, children or other heirs. This is not the case with traditional Social Security.

With personal accounts as the centerpiece of long-term reform, Congress can help future generations build a prosperous and secure retirement, maintain the program's safety net, and ensure that seniors and those approaching retirement receive all promised benefits. In addition, disability and survivor benefits will continue under the Ryan-Sununu bill.

Be assured that I will work tirelessly with my colleagues to find the best ways to fix Social Security for the long term while protecting current and soon-to-be retirees' benefits. To learn more about my plan, please return the attached reply card. I look forward to hearing from you.



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